

**REPORT OF THE AUDIT OF THE  
CASEY COUNTY  
SHERIFF'S SETTLEMENT - 2011 TAXES**

**For The Period  
April 16, 2011 Through April 16, 2012**



**ADAM H. EDELEN  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**CASEY COUNTY**  
**SHERIFF'S SETTLEMENT - 2011 TAXES**

**For The Period**  
**April 16, 2011 Through April 16, 2012**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2011 Taxes for the Casey County Sheriff for the period April 16, 2011 through April 16, 2012. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$4,186,686 for the districts for 2011 taxes, retaining commissions of \$172,584 to operate the Sheriff's office. The Sheriff distributed taxes of \$4,011,401 to the districts for 2011 taxes. Taxes of \$58 are due to the districts from the Sheriff.

**Report Comments:**

2011-01 The Sheriff's Office Lacks Adequate Segregation Of Duties  
2011-02 The Sheriff Should Accurately Account For Disbursements To Fee Account

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



## CONTENTS

## PAGE

INDEPENDENT AUDITOR'S REPORT.....	1
SHERIFF'S SETTLEMENT - 2011 TAXES.....	3
NOTES TO FINANCIAL STATEMENT .....	5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	9
COMMENTS AND RECOMMENDATIONS.....	13





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Ronald W. Wright, Casey County Judge/Executive

Honorable Jerry Coffman, Casey County Sheriff

Members of the Casey County Fiscal Court

Independent Auditor's Report

We have audited the Casey County Sheriff's Settlement - 2011 Taxes for the period April 16, 2011 through April 16, 2012. This tax settlement is the responsibility of the Casey County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Casey County Sheriff's taxes charged, credited, and paid for the period April 16, 2011 through April 16, 2012, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2012 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Ronald W. Wright, Casey County Judge/Executive

Honorable Jerry Coffman, Casey County Sheriff

Members of the Casey County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

2011-01 The Sheriff's Office Lacks Adequate Segregation Of Duties

2011-02 The Sheriff Should Accurately Account For Disbursements To Fee Account

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', written in a cursive style.

Adam H. Edelen  
Auditor of Public Accounts

October 5, 2012



CASEY COUNTY  
JERRY COFFMAN, SHERIFF  
SHERIFF'S SETTLEMENT - 2011 TAXES

For The Period April 16, 2011 Through April 16, 2012

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 284,645	\$ 1,022,134	\$ 1,720,808	\$ 526,162
Tangible Personal Property	11,680	50,897	70,612	65,383
Fire Protection	4,430			
Franchise Taxes				
Current Year	39,386	162,918	238,107	
Prior Year	6,874	29,035	40,872	
Additional Billings	103	369	622	190
Oil and Gas Property Taxes	18	66	111	34
Limestone, Sand and Mineral Reserves	89	321	541	165
Penalties	2,549	9,102	15,264	4,846
Adjusted to Sheriff's Receipt	(177)	(615)	(1,017)	(315)
Gross Chargeable to Sheriff	<u>349,597</u>	<u>1,274,227</u>	<u>2,085,920</u>	<u>596,465</u>
<u>Credits</u>				
Exonerations	1,220	4,378	7,370	2,254
Discounts	4,709	16,947	28,094	8,968
Delinquents:				
Real Estate	3,465	12,308	20,721	6,336
Tangible Personal Property	52	225	312	335
Franchise Taxes				
Current Year Franchise - Uncollected	<u>160</u>	<u>699</u>	<u>970</u>	
Total Credits	<u>9,606</u>	<u>34,557</u>	<u>57,467</u>	<u>17,893</u>
Taxes Collected	339,991	1,239,670	2,028,453	578,572
Less: Commissions *	<u>14,450</u>	<u>52,407</u>	<u>81,138</u>	<u>24,589</u>
Taxes Due	325,541	1,187,263	1,947,315	553,983
Taxes Paid	325,327	1,186,496	1,945,973	553,605
Refunds (Current and Prior Year)	<u>214</u>	<u>767</u>	<u>1,284</u>	<u>378</u>
Due Districts as of Completion of Audit	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 58</u>	<u>\$ 0</u>

\* See next page.

The accompanying notes are an integral part of this financial statement.

CASEY COUNTY  
JERRY COFFMAN, SHERIFF  
SHERIFF'S SETTLEMENT - 2011 TAXES  
For The Period April 16, 2011 Through April 16, 2012  
(Continued)

\* Commissions:

4.25% on	\$	2,046,358
4% on	\$	2,140,328

CASEY COUNTY  
NOTES TO FINANCIAL STATEMENT

April 16, 2012

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Casey County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

CASEY COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 16, 2012  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Casey County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 16, 2012, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2011. Property taxes were billed to finance governmental services for the fiscal year ended June 30, 2012. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 15, 2011 through April 16, 2012.

B. Oil

The tangible property tax assessments were levied as of January 1, 2011. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 15, 2011 through April 16, 2012.

C. Limestone, Sand and Gravel Property

The tangible property tax assessments were levied as of January 1, 2011. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 15, 2011 through April 16, 2012.

Note 4. Interest Income

The Casey County Sheriff earned \$2,995 as interest income on 2011 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office. As of April 16, 2012, the Sheriff is due a refund \$26 from the school district for overpayment of interest.

Note 5. Sheriff's 10% Add-On Fee

The Casey County Sheriff collected \$26,266 of 10% add-on fees allowed by KRS 134.119(7). This amount was used to operate the Sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Ronald W. Wright, Casey County Judge/Executive  
Honorable Jerry Coffman, Casey County Sheriff  
Members of the Casey County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Casey County Sheriff's Settlement - 2011 Taxes for the period April 16, 2011 through April 16, 2012, and have issued our report thereon dated October 5, 2012. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Casey County Sheriff's office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2011-01 to be a material weakness.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying comments and recommendations as item 2011-02 to be a significant deficiency.

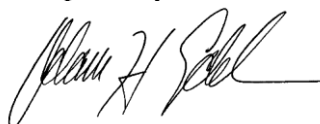
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Casey County Sheriff's Settlement - 2011 Taxes for the period April 16, 2011 through April 16, 2012, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Casey County Sheriff's responses to the findings identified in our audit are described in the accompanying comments and recommendations. We did not audit the Sheriff's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Casey County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

October 5, 2012



## COMMENTS AND RECOMMENDATIONS



CASEY COUNTY  
JERRY COFFMAN, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Period April 16, 2011 Through April 16, 2012

INTERNAL CONTROL - MATERIAL WEAKNESS:

2011-01 The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties over receipts and disbursements. The Sheriff's bookkeeper collects payments from customers, prepares monthly tax reports, and prepares daily deposits. She also takes the deposits to the bank. Upon preparation of the monthly reports, the bookkeeper prepares checks for payment and signs the checks. Additionally, we noted the Sheriff's signature included on the monthly reports is stamped by the bookkeeper.

Segregation of duties or implementation of compensating controls, when there is a limited number of staff, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and/or misappropriation of assets.

Adequate segregation of duties would prevent the same person from having a significant role in the process, recording, and reporting of receipts and disbursements. We recommend the Sheriff implement compensating controls to offset this lack of segregation of duties and document those compensating controls by initialing his reviews.

*Sheriff's Response: With small number of employees, this is hard to control.*

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY:

2011-02 The Sheriff Should Accurately Account For Disbursements To Fee Account

During the 2011 taxes, the Sheriff transferred lump sum payments as needed to his fee account throughout the tax year and did not identify these payments as commissions, add-on fees, and interest. These lump sum amounts distributed for the period April 16, 2011 through April 16, 2012 were transferred into the 2011 and 2012 Fee Accounts. We recommend the Sheriff remit the actual amounts due the Fee account on a monthly basis and identify what is actually being transferred.

*Sheriff's Response: We have already implemented.*

